

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice LD-529

For: State and County Offices

Additional Milk Income Loss Contract (MILC) Program Provisions

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

The Farm Security and Rural Investment Act of 2002 (the Act) authorizes the MILC Program to provide producers on eligible dairy operations with monthly payments based on the quantity of eligible production marketed by the producer in a month when domestic milk prices fall below a specified level.

The MILC Program regulations at 7 CFR Part 1430:

- were published in the Federal Register on Friday, October 18, 2002
- are available on the PSD homepage located at <http://www.fsa.usda.gov/dafp/psd>.

B

Purpose

This notice provides State and County Offices with the following:

- clarification of how to apply the dairy operation definition
- Dairy Market Loss Assistance-III (DMLA-III) business rules applicable to the MILC Program.

Disposal Date

December 1, 2003

Distribution

State Offices; State Offices relay to County Offices

10-24-02

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2 MILC Business Rules

A

Operation Clarification

The Act instructs CCC to apply the same standards that were applied in implementing DMLA-III. In DMLA-III, a dairy operation was defined as any person or group of persons who, as a single unit as determined by CCC, produce and market milk commercially produced from cows, and whose production and facilities are located in the United States.

Each State and County Office shall strictly adhere to and apply this definition to the MILC Program in the **exact** same manner applied for the DMLA-III Program in your State with no variation.

County Offices shall:

- identify dairy operations that received a payment under DMLA-III to determine how the operation will exist in the MILC Program
- based on the State where the dairy operation is located, apply that State's interpretation of a dairy operation used in previous DMLA programs to determine how the operation will exist in the MILC Program
- determine eligible new operations according to subparagraph B, applying your State interpretation of a dairy operation used in DMLA-III to determine how the operation will exist in the MILC Program.
- apply business rules according to subparagraph D, for producers affiliated with dairy operations that:
 - received a payment under DMLA-III
 - have an approved MILC in effect with CCC
 - reconstitute the dairy operation after December 1, 2001.

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2 MILC Business Rules (Continued)

B

Eligible New Operations

The following DMLA-III business rule has been revised for the MILC Program to determine an eligible new dairy operation. County Offices shall determine an eligible new dairy operation as any dairy operation purchased by a producer not affiliated with any dairy operation:

- that received a DMLA-III payment
- with an approved MILC with CCC.

Beginning with FY 2003, any additional dairy operation purchased by a producer affiliated with a dairy operation that has an approved MILC:

- is subject to review by FSA to determine legitimacy
- will exist in the MILC Program according to State interpretation of a dairy operation used during the previous DMLA programs in the State where the dairy operation is located.

Eligible new dairy operations may enter into a MILC with CCC anytime during the duration of the MILC Program application period.

C

Reconstituted Operations

A dairy operation that reorganizes or restructures the constitution or makeup of their operation into another organizational framework must:

- not reorganize for the sole purpose of receiving multiple payments
- notify the FSA County Office immediately of the reconstitution.

Changes to a dairy operation that result in the reconstitution of the dairy operation are subject to review by FSA to determine legitimacy if reorganized after:

- receiving a DMLA-III payment
 - December 1, 2001.
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2 MILC Business Rules (Continued)

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**Reconstituted
Operations
(Continued)**

Producers that exit an existing operation to form a new operation as a result of a reconstitution of a dairy operation will remain on the original MILC until the new MILC becomes effective the following FY.

Payments will continued to be issued to all producers on the original MILC subject to the 2.4 million pound cap for the operation for that FY. Shares may be adjusted as appropriate. The new operation will begin to receive payments on October 1 of the following FY.
